

## The state of Ontario's municipal performance reports: A critical analysis

*Abstract:* Focus on results and accountability in public performance management is now firmly entrenched. Governments around the world, at all levels, have invested significant time and resources into measuring and reporting performance, with very mixed results. In 2000, Ontario became the first state or province in North America to mandate a municipal performance measurement program for all municipalities. One measure of the system's effectiveness is the documentation produced to show citizens how their government is doing – in this case, an annual performance report. Although the legislation is clear in terms of measurements and some reporting standards, there are clear differences in the overall quality of the annual reports produced by each of the 445 municipalities. This article will focus on the reports as the primary communication tool between the municipalities and citizens. The primary question that frames this research is the current quality of municipal performance reports in Ontario.

*Sommaire :* La gestion de la performance dans la fonction publique qui porte sur les résultats et la reddition de compte est maintenant fermement établie. Les gouvernements du monde entier, à tous les paliers, ont investi énormément de temps et de ressources pour mesurer et présenter des rapports sur la performance, et ils ont obtenu des résultats très mitigés. En 2000, l'Ontario est devenu le premier État ou la première province en Amérique du Nord à mandater un programme pour mesurer la performance municipale de toutes ses municipalités. Une mesure de l'efficacité du programme est la documentation – dans ce cas, un rapport annuel sur la performance – destinée à montrer aux citoyens comment fonctionne leur gouvernement. Même si la loi est claire en termes de mesures et de certaines normes relatives aux rapports, il existe des différences évidentes dans la qualité générale des rapports annuels produits par chacune des 445 municipalités. Cet article porte sur les rapports comme principal outil de communication entre les municipalités et les citoyens. La question prépondérante de cette recherche est la qualité actuelle des rapports sur la performance des municipalités en Ontario.

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In 2000, Ontario became the first state or province in North America to mandate a municipal performance measurement program for all municipalities. The latest program handbook for the Province of Ontario states that performance measurement will enhance accountability, cost effectiveness, improved performance, and innovation. The handbook identifies the underlying rationale for mandating performance measurement: “[I]t is important that elected officials and public servants tell taxpayers what the government plans to achieve, what it is actually accomplishing and what public services cost” (Ontario, Ministry of Municipal Affairs and Housing 2007: 5). Writing an assessment of Ontario’s efforts in 2005 for the journal *Government Finance Review*, deputy minister of Ontario’s Ministry of Municipal Affairs and Housing John Burke wrote that the point of Ontario’s municipal performance measurement program was to improve local accountability by informing citizens about local services, costs and value: “The [municipal performance measurement program] was a key element in the accountability framework set out in the legislation” (2005: 23). In effect, citizens should understand the value of their tax dollars at work. However, the relationship between Ontario’s performance measurement program, and specifically reporting, has not been tested to determine if this accountability goal has been met.

The program mandates that each of the 445 Ontario municipalities collect data on a specified number of measures – and more measures have been added since the program was rolled out – in different service areas, depending on the year. Municipalities submit their results for review and analysis to the province by June each year, and, by September, they must report to citizens. Municipalities began reporting in 2001. Simple and accessible methods – direct mail to all taxpayers or households, an insert with the property tax bill, a notice in local newspapers, and the Internet – as means to reach citizens are encouraged. Although this program is not tied specifically to provincial funding or transfer payments, the province also encourages municipalities to use their results in their annual business plans and budget reviews for setting new targets and measuring achievements.

Public performance management with a focus on results and accountability is now firmly entrenched, and governments around the world, at all levels, have invested significant time and resources into measuring and reporting performance, with very mixed results. The system developed and mandated by the Government of Ontario is often looked to as an example by other governments that are considering measurement systems or looking to improve their own existing systems.

With that in mind, the province, as mentioned earlier, has no empirical data or analyses with which to compare the goals of its system with actual results. One measure of the system’s effectiveness is the documentation produced to show citizens how their government is doing, in this case, an

annual performance report. Although one could examine the measurement instruments themselves or the data collection methods, this article is an evaluation of the performance reports and its goals. Although the legislation is clear in terms of measurements and some reporting standards, there are clear differences in the overall quality of the annual reports produced by each of the 445 municipalities. The primary question that frames this article is the quality of municipal performance reports in Ontario.

### Literature review

Performance reporting has the potential to bridge the gap between government activities and citizens. States and provinces can encourage performance reporting in a variety of ways: through top-down mandates, including legislation and executive order; leading by example; providing technical assistance (Dusenbury, Liner, and Vinson 2000); or rewarding good performance reporting through incentives or recognition. J.A. Heise called for a public communication framework that involves more than just the dissemination of information, which is what many performance reports do, especially with mandated performance measurement programs (1985). In one of the very few studies of Canadian municipalities, Raili Pollanen calls for more research on external reporting and accountability issues from different stakeholders' perspectives (2005). Based on the same survey data set, he found that "the requirements for external reporting provide a strong incentive for the development and reporting of performance measures, and that the increased credibility associated with the formal verification process can improve the perceived usefulness, and hence the use, of performance measures" (2001: 10). Elsewhere, I have summarized the major research in the area of performance reporting (2008).

Municipal reporting began with the annual report, similar to the intent in its corporate cousin. Mordecai Lee has written one of the most comprehensive research articles regarding the history of municipal public reporting: "Municipal reporting was in its heyday from the 1920s to the 1940s. Then, toward the end of the 20th century, it gradually disappeared from the municipal administrator's agenda" (2006: 453).

In the United States, Clarence Ridley and Herbert Simon began writing on the importance of municipal reporting in the 1920s. At the time, Ridley was the executive director of the International City Managers' Association (now the International City/County Management Association), and Simon was a staff member. Their coauthored *Measuring Municipal Activities: A Survey of Suggested Criteria and Reporting Forms for Appraising Administration* for the association, in 1938, was one of the earliest references to municipal performance measurement programs. Then, in 1939, they coauthored a comprehensive monograph that outlined specifications for the annual municipal report and that made suggestions for content, preparation,

design, publication and distribution. From its earliest beginning, annual reports were supposed to be about preparing a report for the public to inform "the busy citizen as to the return in service he gets from his tax dollar" (Ridley and Simon 1939: iii). This purpose still applies to municipal performance reports today.

Ridley and Simon offered a checklist of topics that could be covered in the municipal report. To begin with, they suggested that the report itself should be organized by municipal service and functions rather than by traditional government departments. The citizen "is on the receiving end of municipal government and is far more interested in the service program than in the minutiae of organization" (1939: 1). They further suggested that the report include data on agencies outside of government if they also are providing community services to citizens. The report should include both narrative and graphic elements to have more mass appeal to citizens. Comparisons over time, as well as comparisons with select cities, should be made. According to Ridley and Simon, the report itself should have a clear logical organization, beginning with an introduction to the municipality, followed by descriptions of municipal services, then the municipality's financial situation, and finally a summary of the municipal plan and progress made. Writing prior to the advent of computers, the two men went to great lengths about the design and the actual printing of the report. An entire section was dedicated to the methods of report distribution: "If the report is intended, as it should be, primarily to inform the general public on the course of city affairs, then it must be given much wider distribution than the average report" (1939: 45). They suggested distributing one printed copy to every household in the city. They further recommended that, in order to publicize the report, it should be disseminated to the media, to local schools, and to all municipal employees.

In Canada, a few organizations have issued performance reporting criteria. The first was the CCAF-FCVI (the Canadian Comprehensive Auditing Foundation): "CCAF's mission is to provide exemplary thought leadership and to build both knowledge and capacity for effective governance and meaningful accountability, management and audit. The focus for, and beneficiary of, our work is the public sector" (see its web site at [http://www.ccaf-fcvi.com/english/about/mission\\_profile.html](http://www.ccaf-fcvi.com/english/about/mission_profile.html)). Its performance reporting program began with a national symposium in 1999. The program includes four major issue areas: leadership, meaningful reporting principles, user's expectation for performance reports, and the impact of audits on performance reporting. The CCAF-FCVI created a task force of government performance reporting stakeholders from across Canada and from different levels of government. The draft principles were then reviewed by a broader network of professionals and public administration academics (CCAF-FCVI 2001, 2004 and 2006).

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants has also established generally accepted accounting principles for the public sector in Canada. One of the fundamental building blocks of these principles for governments is a standard that defines what a government reporting entity is and how organizations within that government-as-whole entity should be held accountable. The Public Sector Accounting Board issued a "Statement of Recommended Practice" (SORP-2), *Public Performance Reporting*, in September 2006. This was followed by the publication of *Public Performance Reporting Guide to Preparing Public Performance Reports* in 2007. This guide is intended to "stimulate thought and provide a framework for preparing a public sector entity's public performance report" (1). The guide outlines thirteen criteria for public performance reports, with an assessment scale from zero to four, based on the degree to which the criteria have been met.

Another Canadian example of how to prepare performance reports is the Treasury Board of Canada Secretariat's *Performance Reporting Good Practices Handbook* (2007). The handbook is meant to inform the way federal agencies report to citizens, through departmental performance reports. The Office of the Auditor General of British Columbia has the only provincial performance report rating system in Canada. This system, outlined in *Performance Reporting Principles for the British Columbia Public Sector*, includes eight reporting principles. Although intended to improve reporting of provincial agencies to citizens, the principles also speak to the importance of performance reports for legislators. In fact, their summary document outlines steps that legislators can take to effectively utilize performance reports themselves, thereby increasing demand for performance information, communicating expectations of performance reports so that they can be improved, and pushing for reporting standards across Canada and at all levels of government (2003: 1).

British Columbia also has a flexible performance reporting requirement for all municipalities. There is no standardized reporting format, so that the reports can be tailored to the local community. Municipalities in British Columbia also have discretion in setting objectives and in selecting the performance indicators they will use. This level of discretion and customization is in stark contrast to the uniform and provincially mandated reporting requirements in Ontario's municipal performance measurement program. British Columbia began its municipal performance reporting program in 2003, in consultation with the Union of BC Municipalities, the provincial government and local government management associations. The focus has been and continues to be on building municipal capacity, which means that the province plays a supporting role by providing advisory materials and training and for sharing information about best practices.

In the United States, public performance reporting began in earnest with a major piece of enabling legislation, the Government Performance and Results Act of 1993 (Public Law 103-62, 103rd Congress, 1st Session, 5 January 1993). The legislation requires federal agencies to report their performance, their progress against their goals, and then to communicate that performance to Congress and the general public. Beryl Radin critiques the act because of the “unrealistic belief that a single set of documents” such as annual performance reports can serve the broad needs and interests of all of government’s stakeholders (2003: 1365). Her other works also criticize the purpose and effectiveness of annual performance reports (1998, 2000). On the heels of the Government Performance and Results Act, the independent Governmental Accounting Standards Board issued several reports about public performance reporting, including a special report summary, *Reporting Performance Information: Suggested Criteria for Effective Communication*, in October 2003. This document outlines sixteen criteria, in three broad categories. The first category covers external reporting of performance information, defined as “a basis for understanding the extent to which an organization has accomplished its mission, goals, and objectives in the context of potential significant decision-making or accountability implications” (2003: 5) and includes the purpose and scope, statement of major goals and objectives, involvement in establishing goals and objectives, multiple levels of reporting, analysis of results and challenges, and focus on key measures, reliable information. The second major category, “what performance information to report,” includes the following criteria: relevant measures of results, resources used and efficiency, citizen and customer perceptions, comparisons for assessing performance, factors affecting results, aggregation and disaggregation of information, and consistency. The final broad category is called “communication of performance information” and includes criteria about the report’s ease of access and understandability and whether the reporting is regular and timely (Governmental Accounting Standards Board 2003).

The Governmental Accounting Standards Board’s reporting principles to guide organizations as they report their performance to citizens and other constituencies should be “used as a basis for that reporting so that users of performance reports understand what is and is not included in the report, and that the organization be committed to continually improving the reporting of performance information” (2003: 11). This is by far the most comprehensive set of guidelines. In April 2007, the board announced the latest work in assisting governments with performance reporting, called “Service Efforts and Accomplishments Reporting” ([http://www.gasb.org/plain-language\\_documents/SEA\\_PLA\\_June2009.pdf](http://www.gasb.org/plain-language_documents/SEA_PLA_June2009.pdf)). Rather than stating that all governments must report performance, this new project emphasizes flexibility for jurisdictions and “non-authoritative guidance” or voluntary reporting.

A major critic of the board's criteria, and one of the reasons that it has revised its hard-line stance, is the Government Finance Officers Association. Looking at performance reporting from the financial side, the organization has been very active in suggesting recommended practices of public performance reporting, beginning in 1991 with the publication of *Preparing Popular Reports*, which was revised in 2006 (Government Finance Officers Association 2007). The association also awards certificates of achievement for excellence in financial reporting that includes financial and non-financial performance. Each report is rated on seventeen categories, expressed as checklists in a seventy-eight-page document. According to the Government Finance Officers Association, over 3,000 governments participate each year, and the governments that receive high evaluations are issued a Certificate of Achievement for Excellence in Financial Reporting. The association also manages the annual Canadian Awards for Financial Reporting, which began in 1986.

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*Based on the respondents' perceptions of their performance report, the municipalities received an average score of 6.5 points out of 20 (32.5 per cent). Only nine (8.56 per cent) of the reports received a "passing" score (11 points or over)*

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There are obvious similarities between the Canadian performance reporting principles and other criteria presented in this article:

- Reports should focus on a few critical aspects of performance.
- Reports should focus on the past as well as the future (tied to strategic plans).
- Reports should identify lessons learned and any factors that influenced the results.

These Canadian examples point to the importance of integrating financial and non-financial information and recommend that performance be compared with earlier results of the organization and with other similar organizations. Also, information should be presented fairly and appear reliable and valid. Finally, the reports should disclose the basis for reporting, which is consistent across both sets of reporting principles.

## **Methodology**

This study employed a mixed-method approach: a web survey of the perceptions held by highly ranked local officials (chief administrative officer/city manager), for each of Ontario's 445 municipalities, of performance reporting, organizational attributes and content analysis of their municipality's

Table 1. *Representativeness of Survey Sample*

<i>Population categories*</i>	<i>Number of total municipalities in population category (%)</i>	<i>Number of actual responses by municipalities (%)</i>
< 10,000	278 (62.5)	68 (50)
10,000–50,000	100 (22.5)	39 (28.7)
50,000–100,000	29 (6.5)	12 (8.8)
100,000–250,000	23 (5.2)	9 (6.6)
250,000–500,000	8 (1.8)	4 (2.9)
500,000–1,000,000	5 (1.1)	2 (1.5)
1,000,000+	2 (0.4)	2 (1.5)
	445 (100)	136 (100)

Source: Statistics Canada 2006

\*Categories from the International City/County Management Association

performance report. More information about the methodology for this study can be found in the appendix.

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*There are certainly outliers, but quality of reports appears to be independent of population*

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**Results**

**Response rate to on-line survey**

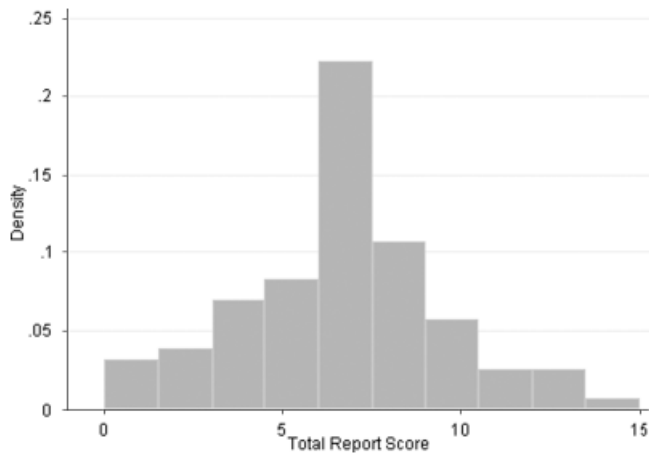
Of the 445 municipalities in Ontario, only one did not have any e-mail contact for staff. Twenty-one had opted out of my survey, and ten e-mail addresses came back as “bad.” The remaining municipalities (413) were sent the first e-mail invitation on 7 May 2008 to participate in this study. The response rate, calculated by the percentage of survey invitations (413) that resulted in a completed survey (136), was thirty-three per cent. Interestingly, the rate of response by municipalities is inversely matched to the population profile of municipalities; that is, I received a higher degree of responses from municipalities with lower population levels (see Table 1). However, municipalities with populations under 10,000 were slightly underrepresented (– 12.2 per cent).

**Quality of performance report**

Based on the respondents’ perceptions of their performance report, the municipalities received an average score of 6.5 points out of 20 (32.5 per cent).



Figure 1. Histogram of Performance Report Score



Only nine (8.56 per cent) of the reports received a “passing” score (11 points or over). There were twenty-two low-scoring municipalities (20.95 per cent), with results between 0 and 4 points. There were sixty-five average-scoring municipalities (61.9 per cent), with ratings between 5 and 8 points, and there were eighteen high-scoring municipalities (17.13 per cent), with scores between 9 and 15 points. The highest score achieved was 15 out of 20, achieved by only one municipality. The quality of the public performance reports in Ontario can conservatively be called poor. Figure 1 shows the normal distribution of scores.

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*There is a statistical relationship between college education of community residents and performance report score*

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Explanatory variables

*Population*

The average population of all responding municipalities was 72,344, or the size of a small city (25,000–100,000). Population findings closely matched the overall population structure of the province. Although most municipalities in the province are small (less than 10,000 people), the responding municipalities for this study closely resemble the actual population (see Table 2).

Table 2. *Population*

<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. deviation</i>
136	147	2,481,494	72,344	253,805

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*Overwhelmingly, the budget or finance department is primarily responsible for preparation (77.9 per cent) and distribution (69.1 per cent) of the municipal performance reports*

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There are certainly outliers, but quality of reports appears to be independent of population. There are some municipalities with large populations but low report ratings, and many municipalities with small populations showed wide variety in their performance report ratings. Therefore, there must be other factors influencing the quality of the report.

*Income*

The average income reported for all individuals in the responding municipalities was \$29,528.84. The Ontario average was \$32,865, which closely matches the responding municipalities in this study. Comparable data was used from the individual income data in the 2006 Census (Statistics Canada 2007).

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*Out of the municipalities with the top ten report scores, seven of them had communications professionals. Whereas, in the ten municipalities with the lowest reporting scores, only one had a communications professional on staff*

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*Education*

The results from the responding municipalities and the Ontario population are similar. Citizens with less than a high school diploma are slightly under-represented by the responding municipalities, while those citizens with a university degree are overrepresented by the responding municipalities.

There is a statistical relationship between college education of community residents and performance report score. The following graph displays results that show that, as the percentage of college education rises in a community, the score received for the performance report also generally

Table 3. *Role of Communications Professionals*

<i>Responsible unit</i>	<i>Percentage preparing the report (n = 135)</i>	<i>Percentage distributing the report (n = 172)</i>
Chief administrative office	12.5 (17)	16.9 (29)
Clerk’s office	7.4 (10)	22.1 (38)
Mayor’s office	0.7 (1)	0
Communications staff/dept	0.7 (1)	4.6 (8)
Budget/finance office	78.5 (106)	54.7 (94)
Other	0.7 (1)	1.7 (3)
None	0	0

risers. There are outliers (such as the city that achieved the highest rating, 15, but that has a relatively low college-educated population).

*Role of communications professionals*

Overwhelmingly, the budget or finance department is primarily responsible for preparation (77.9 per cent) and distribution (69.1 per cent) of the municipal performance reports. Communications staff members have very little to do with its preparation, and only a few are responsible for its distribution. Only one municipality indicated that its communications staff prepared the performance report. Eight municipalities indicated that their communication staff members were involved with the distribution of the reports. The nature of the reporting mechanism is the financial information return, typically prepared by the budget or finance department. Although it is not surprising they are also mainly responsible for performance report preparation and distribution, their clear focus on the numeric data may be influencing the quality of the report (see Table 3).

Thirty-three municipalities out of 136 respondents (24.3 per cent) indicated that they have at least one person on staff who has public communications responsibilities. Therefore, most municipalities do not have any professional communications experts, either with official titles or official communications responsibilities. Of those municipalities with communications staff, the minimum number reported was one, the maximum was forty-three. Out of the municipalities with the top ten report scores, seven of them had communications professionals. Whereas, in the ten municipalities with the lowest reporting scores, only one had a communications professional on staff.

*Demand by external audiences*

Managers were asked how frequently various groups requested their municipality’s annual performance report. Over eighty per cent of all managers

responded that citizens never or rarely request their municipal performance report. The managers also indicated that the media, community groups, the business community, other municipalities also never or rarely request their municipal performance report. Nearly one-quarter of local elected officials request the performance reports. Citizens and the business community are the least likely to request the performance reports.

The municipalities received an average quality score of 6.5 out of 20, a failing score. The highest score achieved was 15 out of 20, received by only one municipality. The quality of municipal performance reports in Ontario can conservatively be called poor. Even though public managers perceive high external communication performance, this is not reflected in the actual production and distribution of their reports. Very few municipalities have any communications staff at all, and, if they do, this staff is generally not involved in the preparation or distribution of the performance reports. These responsibilities fall to the finance departments, which prepare the annual financial return to the province.

### **Implications**

The purpose of this article was to determine the quality of Ontario's municipal performance reports based on a quality-index designed specifically for this study. This is the first empirical test of performance report quality based on the perceptions of top municipal officials.

According to this study, most of the municipalities are not producing reports that are informative, useful or that support accountability to anyone other than the Province of Ontario. This study has shown that public managers are also not investing the time or resources to create high-quality and useful performance reports, despite the goal of increased accountability required of the municipal performance measurement program. Despite the program's goal of increased accountability to citizens, municipalities are producing low-quality reports for citizens. Managers perceive little demand for these reports and therefore are possibly not investing the resources or efforts to improve them. The question is why citizens and other stakeholders are not demanding the reports. Either they contain information citizens do not find useful or they are not aware that the reports exist. More research would need to be conducted to determine if these or other reasons are responsible for the low demand. However, it is clear that most municipal managers do not feel it is necessary to promote the availability of the reports, many simply posting them on their web site and relegating responsibility for their production and distribution to the finance department. It is hard to say what would increase report quality and a demand for the reports.

Very few municipalities included comparative data, allowing residents to see how their own municipality compared to others of their choosing. City managers felt that because accounting practices vary across municipalities,

reporting of results will vary and therefore performance results cannot be compared across municipalities. Officials also resent the province's ability to compare results despite these existing flaws. Their comments include the following:

- “The [municipal performance measurement program] . . . as set out by the provincial government is flawed . . . . There is, however, no standardization of accounting practices which allows municipalities to be compared on an equal basis.”
- “Every municipality is different, from geography to economic ability, and comparisons between municipalities are impossible because of the vast differences in level of services provided and the costs associated with the delivery.”
- “Not all measures are relevant to our municipal responsibilities, which are shared with local municipalities. Some combined measures (i.e., regional and local municipal) would make for better comparators with other jurisdictions in North America and better explain the full costs of services to the typical household. Continuous adjustment of some [municipal performance measurement program] inputs makes year-to-year trending impractical without re-stating prior years.”
- “Performance measurement is becoming more important as we are building towards implementation of a strategic plan that provides clear performance expectations. [Municipal performance measurement program] statistics are largely irrelevant for this purpose, and, for comparative purposes, discrepancies in the capture and reporting of data reduce comparability.”

Currently, the provincial government and the individual municipalities have access to a password-protected web site (called MIDAS) that would enable easy comparisons across municipalities. There are no immediate plans to make this web site available to the public. Therefore only government employees can compare their municipalities to other municipalities and over time. The goal of accountability to citizens is not possible under the current reporting system because of the lack of transparency and limited report promotion.

Performance data are only useful if the data are easily understood, timely and relevant to decision-making. The perception of local managers is that the current municipal performance measurement program provides for none of these things. For managers to see the value in the program, they need to see its usefulness in performing their duties. As the above quotations indicate, the program is not highly regarded. Pat Dusenbury, Blaine Liner, and Elisa Vinson described four techniques upper levels of government can use to encourage local adoption of performance measurement (2000): they can

mandate using regulations and performance contracts; provide technical assistance in the form of best practice information, consultant services and training; provide incentives such as financial awards, increased management flexibility and recognition; and they can also use the data to provide information to the public by releasing comparative performance reports and requiring reporting to citizens. The municipal performance measurement program system does use regulations to mandate performance measurement and reporting to citizens, but it does not provide any incentives for their participation or to improve performance reporting to citizens. Furthermore, the program is closed to the general public, other than the release of individual municipal reports. No comparative data are released by the province to improve stakeholders support for programs. The province could also build external stakeholder support to improve perception of the program's value. Until suggestions such as these are considered, this program will not be taken seriously by anyone other than the province.

## Conclusions

This study has implications beyond Ontario as well. Performance measurement systems have been adopted broadly at all levels of government, in many countries. Local governments differ in terms of the type of systems, and, clearly, the mandated program in Ontario is one particular type. Those states or provinces considering a mandated system would be wise to investigate how such a system, with the best of intentions, has produced poor-quality reports and negative perceptions by municipal managers.

The other implication of this study is the importance of communication with citizens. Performance reports are meant to be shared with citizens to allow them to be better informed about their local government and to have an idea about the value they receive for their tax dollars. Because of problems of time lag in reporting results and the poor quality of the reports themselves, the performance reports produced within Ontario's mandated program clearly do not improve accountability to citizens. Despite the best of intentions, municipalities that adopt a performance measurement system should have a clear idea of the intent of the exercise. Is the system meant to inform municipal managers, local elected officials, citizens, or all three? If communication with citizens is clearly a goal, then reports must be timely, easy to read, easy to understand, and broadly available. Taken one step further, performance reports should ultimately help to support an informed citizenry and encourage citizen participation in government. Citizens need information to participate in broader community discussion, and performance reports are one potential source of information. Lee has argued that performance "reporting assists in the maintenance of an informed public, the essential foundation of democracy" (2001: 33).

Unfortunately, this study shows that in a top-down mandated system, these important criteria are not being met. Furthermore, distribution of a report is the lowest level of one-way communication. To be truly valuable, performance reports should clearly indicate goals, results and explanations. Then, once the report is broadly distributed, there must be a process to receive feedback about performance. Performance improvement should be based on involvement by local citizens, in concert with officials and staff. Performance measurement results should be the means and not the end. Christopher Mausolf argues that performance measurement can "function as a feedback mechanism for program improvement" (2004: 9). Performance reports should not be viewed as static documents but rather as a mechanism to inform stakeholders, as well as to create potential for feedback from stakeholders. Only in this way can performance reports improve organizational learning and influence positive change.

Clearly, technology can play a role in the advancement of a performance measurement system, allowing 24/7 access to data in real-time. Using technology, results could be easily tabulated, consolidated and personalized. Data can be manipulated by users so that they receive the information and the level of the detail they desire (Daniels and Daniels 1991). Hindy Schachter calls for a three-step reporting system. According to her, a government annual report (which could include performance information) should be mailed once per year to all households (1997). This document would encourage readers to follow up for more detailed information on any topic, by using a postage-paid postcard. This is similar to a state or provincial tourism guide, with the option for readers to get more specific information about their particular interests. Secondly, government agencies could create monthly reports with more detail about performance and analysis. These agency reports could be mailed to households, and then neighbourhood meetings could be held to discuss the reports. In this technology age, these more detailed reports could be organized on-line for easy distribution and low cost. Ideally, administrators would not only listen but would act on the citizens' suggestions. Finally, the third-tier report would have the greatest detail of information and would be supplied "upon request," or by maximizing available technology, the more detailed information could be easily provided as sub-pages of a larger document. As Schachter argues, "the public sector cannot be responsive without citizen input; citizens cannot provide input without sufficient information to evaluate agency performance" (1997: 88). To truly respond to citizens, we need to go beyond merely informing them (as the Ontario municipal performance measurement program shows) to creating an active, participatory citizenry. By using this tiered model of performance reports, we could move away from annual reports to more regular and timely reports, based on an individual's needs for information and ease of access.

In a mandated environment, there are obvious problems with managers not valuing the system. This study shows that in such a system, managers view the program negatively, which has an effect on the overall quality of reports. For jurisdictions considering such a program, this flaw should not be overlooked but rather should be accounted for. Municipal employees deserve more training and awareness of the usefulness of the performance measurement system. How will it help them do a better job and create better value for citizens? This question must be answered by the mandating jurisdiction if it intends to create a positive and successful program, and ultimately high-quality performance reports.

Although not specifically examined in this study, jurisdictions considering a performance measurement system should not underestimate the value of individual organizational leaders such as city managers and mayors (Moynihan and Ingraham 2004). Donald Moynihan and Patricia Ingraham examined individual-level variables to explain the use of performance information in decision-making. They found that leadership does matter in all circumstances. Surely public managers have a strong influence on the quality of performance reports as well as their distribution and the resulting feedback. Admittedly, some performance measurements are collected for internal purposes and some for external purposes, or should be. True leaders know what information is the most useful for decision-making purposes, internally, and for informing external stakeholders. Performance measures can be used for accountability purposes by these external audiences, to push for change, for example, according to Robert Behn (2003).

Regardless of the type of performance measurement system instituted, municipal governance will not change unless the performance information drives more effective management (Ho 2006; Streib and Poister 1999). Measuring performance is not enough. We need to move away from performance measurement systems (measuring for measurement sake) to performance management systems (measuring for management sake). Management systems have a better chance at surviving political transitions and even individual leaders. As this study has shown, a performance measurement system is no guarantee that actual public performance will change or that governments will be more accountable to citizens. Public employees need to receive the proper training and support in order to use performance data to improve their results. Citizens need to receive regular and appropriate information about government performance and learn how to evaluate those results. Sean Nicholson-Crotty, Nick Theobald, and Jill Nicholson-Crotty found that "managers' assessments of organizational performance and decisions regarding solutions depend on the choice of performance measures" (2006: 101). Public managers must navigate a complex environment and respond to both political demands from upper levels of government, from local elected officials and citizens themselves, all with different ideas about



measuring organizational effectiveness. Performance measurement systems must be sensitive to this unique environment.

## **Appendix: Methodology details**

### **Population and sampling**

The population for this study was defined as all 445 municipalities in Ontario, representing a total of nearly twelve million people. To help reduce sampling errors, a list of all Ontario municipalities was purchased from the Association of Municipal Managers, Clerks and Treasurers of Ontario, which is a twenty-seven-year-old, non-profit organization, with over 2,000 members in Ontario. It is the largest association of local government professionals in Canada. Once purchased, the list is maintained for one year, and semi-annual updates are available from its web site. Sampling error would be reduced because of the accuracy and completeness of this list.

### **Method no.1: on-line survey**

The survey instrument included a total of sixteen closed-ended items, most on a 5-point Likert scale (Likert scale questions offer multiple-choice answers, generally on a scale from 1 to 5 or 1 to 7, ranging from level of agreement such as 1 = do not agree to 7 = strongly agree). City managers were asked to react to statements regarding their organization, and specifically about organizational culture, use of performance reports, and communications efforts. Although there are sampling issues, this on-line survey was targeted to busy public managers who routinely use communications technology. Furthermore, because e-mail reminders could serve to easily prompt them to respond, it was expected that city manager would be less likely to ignore an on-line invitation to participate than a mailed paper survey.

### **Method no. 2: content analysis**

For the city managers who responded to the on-line survey, their responses about their perceptions of their performance report for 2006 (the most recent available at the time the research was undertaken in early 2008) were collected and rated. There are two main approaches to measuring the quality of municipal performance reports. The first approach is by content analysis, which codifies the content of a written document into categories based on chosen criteria (Weber 1988). The second is to use indices to calculate an index score to indicate the extent of quality of certain pre-selected items. A quality index was used for this research. Because the content of the reports themselves would not vary, content analysis would not show much if any variation between reports. All municipalities must report on the same

performance measures. However, what may vary is the actual report's formatting, distribution and organization.

As discussed in the literature review earlier, the major performance reporting principles in Canada and the United States were examined (British Columbia, Office of the Auditor General 2003; Canada, Treasury Board Secretariat 2007; CCAF-FCVI 2001, 2004, 2006; Government Finance Officers Association 2007; Governmental Accounting Standards Board 2003; Public Sector Accounting Board 2007. Although similar in broad categories, I did not feel they addressed the unique situation in Ontario. Because Ontario is a mandated system, with no requirements for a reporting format and the need for municipalities to report the same information, which is collected in the same way, the reporting principles advanced by these professional associations did not apply to Ontario's reporting mandate specifications. Therefore, I created a new set of criteria that reflects the unique situation in Ontario. Just like with other reporting standards mentioned above, the rating is broken down into three broad categories – report content, report format and report distribution – for a total of twenty points.

*Report content: eleven points possible (fifty-five per cent of total score)*

This category formed the majority of the total possible score. Municipalities are not required to include any of this information, although it is suggested that municipalities compare results to the previous year's results. These criteria would likely show the most variability between reports. Report content includes six criteria, for a total possible eleven points.

*Report format: three points possible (fifteen per cent of total score)*

The second broad category is report format. This section included three criteria for three possible points. I wanted to make the assessment as objective as possible, rating the reports only whether the criteria existed or not. The same reasoning was applied to whether the report used headings or sections in the report.

*Report distribution: six points possible (thirty per cent of total score)*

The final category is report distribution. In terms of advertising the report, including information about the report in a municipal mailing would be very inexpensive but would inform citizens about the availability of the report. For this reason, a jurisdiction taking out an advertisement would receive two points whereas a municipality utilizing an existing mailing would receive one point. The criteria put forward by the Governmental Accounting Standards Board also include a category called report communication (2003), similar to this category of report distribution. Although it was not possible to determine how citizens were able to access the reports, I asked city managers in the on-line survey how they distributed

and advertised their reports. Therefore, answers to these criteria were considered part of city managers' perceptions.

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*A complementary article, "Joining public accountability and performance management: A case study of Lethbridge, Alberta," by Richard Hildebrand and James C. McDavid, will appear in our March 2011 issue. Ed.*